

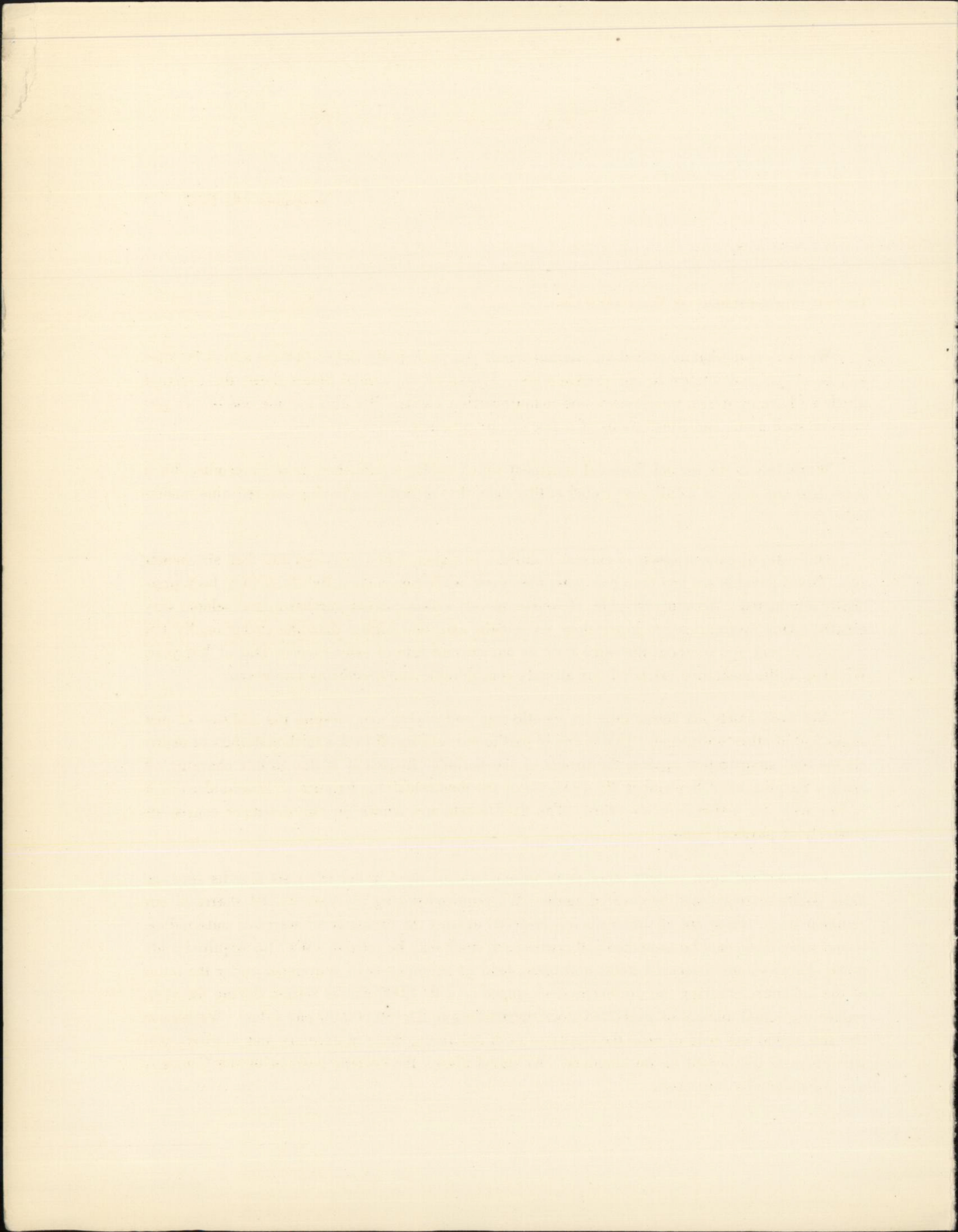
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Walgreen

DRUG STORES

MRB  
CORP. FILE

WALGREEN CO.  
REPORT TO STOCKHOLDERS  
*Year Ended*  
*September 30, 1931*



November 14, 1931.

TO THE STOCKHOLDERS OF WALGREEN CO.

We have somewhat amplified our annual report this year, in the belief that the added features will be of use and interest to our stockholders. A map of the United States shows the coverage which we have of stores, warehouses, and manufacturing plants. We also include one or two pictures of such units, and illustrations of a few of our products.

While this is the second financial statement which we have published as of September 30, it is the first one to cover a full year ended at that date, that of last year having covered nine months only.

Our ratio of current assets to current liabilities is higher than a year ago and than six months ago. Notes payable are less than half what they were, while non-current liabilities have been practically eliminated. Accounts payable, of course, merely reflect current purchases, and seldom vary greatly. Our inventories are lower than six months ago, and higher than the exceptionally low levels of a year ago in about the same ratio as our current rate of sales exceeds that of last year. We have in the meantime extended our already considerable manufacturing operations.

Net fixed assets are lower than six months ago and a year ago, despite the addition of new stores and of other equipment. This is due in part to our writing off over a million dollars of depreciation and amortization against the profits of the period. In part it is due to our charging off against Surplus, as of September 30, 1931, all of the then remaining balance of leaseholds: this is in line with our action in prior years. The fixed assets now shown on our statement consist exclusively of physical items.

I commented upon various other items in our balance sheet in my letter six months ago, and these points scarcely need be covered again. We acquired during the year 23,104 shares of our common stock, which are at present being reserved against the exchange of warrants outstanding, if and when these may be presented: otherwise such stock may be retired. We also acquired additional shares of our preferred stock, and these, held in anticipation of retirement under the terms of the indenture covering the preferred stock, together with 1,000 shares retired during the year, reduce the actual amount of preferred stock outstanding to \$4,186,000.00 par value. We believe that this action will tend to raise the equity of each remaining share in earnings and in assets, and will prove to the benefit of stockholders. As stated above, the current position of the Company was coincidentally improved.

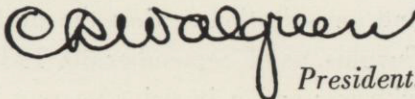
We earned \$2,045,410.97 during the year just closed, after all charges including federal income taxes. This is equal, after dividends on preferred stock, to \$1,713,066.65 applicable to common stock, or \$2.05 per share upon the net number of common shares outstanding at September 30, 1931. Of the net profit above referred to \$855,894.13 was earned during the first half year, and \$1,189,516.84 during the second half year.

The year covered by this report was one of difficult business conditions. We have endeavored to keep up the volume of our sales by aggressive merchandising at prices in keeping with the times, to maintain our reputation by having adequate stocks of the right kind of merchandise, and to put into effect such economies as will not merely help current showing at the expense of future soundness.

We believe that we are now moderately well adjusted to present business conditions. While we hope for better ones, we shall continue our efforts to do a good business at a profit under present conditions. During a year which is generally admitted to have been one of serious depression, our Company did the biggest volume of business in its history; sales have for many months been running ahead of corresponding months last year, excluding new stores added during the year; while we earned over two million dollars net after all charges, including inventory and other losses characteristic of a depression period.

We were operating 465 stores at the close of this fiscal year, as against 440 stores a year ago, a net increase of 25 stores. We expect to continue moderately to increase the number of our stores, as favorable occasions present themselves, as well as to develop new products. I said in my last letter to you, and continue to believe, that the morale of our executives and employees was never better, and I also repeat my conviction that all the facts within my knowledge justify a feeling of cautious but firm confidence in the immediate as well as in the long range future of our company.

Yours very truly,

  
President.

# ARTHUR ANDERSEN & Co.

CERTIFIED PUBLIC ACCOUNTANTS

CHICAGO  
NEW YORK  
WASHINGTON  
DETROIT  
MILWAUKEE  
KANSAS CITY  
LOS ANGELES  
SAN FRANCISCO  
CABLE ADDRESS  
ARTHANDER

TELEPHONE  
RANDOLPH 5386

ONE LASALLE STREET BUILDING

CHICAGO

REPRESENTATIVES IN EUROPE AND SOUTH AMERICA  
MCMAULIFFE, DAVIS AND HOPE  
CHARTERED ACCOUNTANTS  
LONDON - PARIS  
BARCELONA - MADRID  
MCMAULIFFE, DAVIS, BELL AND CO.  
CHARTERED ACCOUNTANTS  
RIO DE JANEIRO - SAO PAULO  
SANTOS - PARA  
BUENOS AIRES

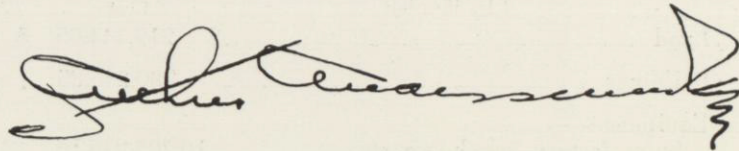
Mr. C. R. Walgreen, President,  
Walgreen Co.:

We have examined the accounts of WALGREEN CO. (an Illinois corporation), Chicago, Illinois, and its subsidiary companies for the year ended September 30, 1931 and certify that, in our opinion, the attached balance sheet fairly presents the consolidated financial position of the companies at that date.

We further certify that, in our opinion, the attached consolidated statements of profit and loss and surplus accounts fairly present the results of their operations and changes in surplus accounts for the year ended September 30, 1931.

Chicago, Illinois,

November 13, 1931.



## WALGREEN CO. (AN ILLINOIS

CONSOLIDATED BALANCE

## ASSETS

## CURRENT ASSETS:

Cash .....	\$1,205,681.82
Trade accounts and other receivables—less reserve .....	286,756.68
Notes, contracts, etc. ....	164,001.33
Merchandise at retail stores, warehouses and factories based on latest physical inventories adjusted to September 30, 1931, certified by responsible officials as to quantities and condition, valued at the lower of cost or market .....	6,475,193.69
TOTAL CURRENT ASSETS .....	\$ 8,131,633.52
MORTGAGE AND NOTES RECEIVABLE .....	305,494.58
CASH SURRENDER VALUE OF LIFE INSURANCE .....	106,593.35
PREPAID RENT, INSURANCE, TAXES, ETC. ....	413,976.56
INVESTMENTS IN OTHER COMPANIES (at cost) .....	477,284.46
INVESTMENT IN WALGREEN MANAGERS' INVESTMENT COMPANY—represented by 3,000 shares of preferred stock (at cost) .....	300,000.00

## FIXED ASSETS:

Classification	Cost	Accrued Depreciation and Amortization	Net Book Value	
Land .....	\$ 219,444.05	\$ —	\$ 219,444.05	
Buildings .....	780,246.85	90,908.50	689,338.35	
Equipment— Store, factory, warehouse, etc.....	10,783,976.16	2,823,986.03	7,959,990.13	
Leasehold improvements .....	2,154,053.99	615,420.77	1,538,633.22	
	<u>\$13,937,721.05</u>	<u>\$3,530,315.30</u>	<u>\$10,407,405.75</u>	10,407,405.75
GOODWILL, LEASEHOLDS, ORGANIZATION, ETC. ....				1.00

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\$20,142,389.22

## LIABILITIES AND NET WORTH

## CURRENT LIABILITIES:

Commercial paper .....	\$ 500,000.00	
Accounts payable .....	1,660,875.78	
Employees' investment certificates .....	36,200.00	
Accrued salaries and other expenses .....	399,781.25	
Provision for Federal income taxes .....	203,438.63	
<b>TOTAL CURRENT LIABILITIES.....</b>		<b>\$ 2,800,295.66</b>

## OTHER LIABILITIES—arising from acquisitions—

Mortgage and contract—due after September 30, 1932.....		47,000.00
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## CONTINGENT LIABILITY—maximum contingent additional purchase cost of the capital stock of subsidiary .....

\$343,746.45

## STOCKS OF SUBSIDIARY COMPANIES IN HANDS OF PUBLIC:

Preferred stocks .....	\$ 573,215.00	
Common stocks (including interest in surplus) .....	162,050.91	735,265.91

## NET WORTH:

## Preferred stock—6½% cumulative—

Authorized and issued—45,000 shares par value \$100.00 each (less 1,000 shares retired and 2,140 shares held in treasury for anticipated sinking fund retirements) outstanding 41,860 shares .....

\$4,186,000.00

## Common Stock—

Authorized—1,000,000 shares without par value

Issued—858,409 shares (less 23,104 shares in treasury at cost) outstanding 835,305 shares .....

6,440,262.10

Earned surplus .....	5,933,565.55	16,559,827.65
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NOTE:—Preferred stock is redeemable on call or in liquidation at premiums varying from \$15.00 to \$7.50 per share.

Common stock is reserved against the exchange of warrants held publicly (63,828 shares) and non-negotiable employees' warrants expiring January 1, 1932 (8,434 shares)

\$20,142,389.22

WALGREEN CO. (AN ILLINOIS CORPORATION)  
AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 1931

Net sales .....	\$54,017,179.11
Cost of sales .....	35,027,648.30
Gross profits on sales .....	\$18,989,530.81
Store expenses .....	15,914,195.79
Net profits from store operations .....	\$ 3,075,335.02
General and administrative expenses .....	814,983.95
Net profits from operations .....	\$ 2,260,351.07
Other income .....	264,303.72
Net profits before other charges .....	\$ 2,524,654.79
Other charges .....	299,223.59
Net profits before Federal income tax .....	\$ 2,225,431.20
Provision for Federal income tax .....	180,020.23
Net profits .....	\$ 2,045,410.97

NOTE: The profits as above stated are after provision for amortization of (1) leaseholds and improvements thereto, \$217,626.97 (2) short life equipment \$126,739.05 and for depreciation of buildings and equipment, etc. \$857,531.59.

SUMMARY OF CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance—September 30, 1930 .....	\$ 5,003,394.99
Add—Net profits for the year ended September 30, 1931 .....	2,045,410.97
	\$ 7,048,805.96
Deduct—	
Goodwill, leasehold premiums, etc. written off .....	\$782,896.09
Dividends paid—	
On Walgreen Co. preferred .....	\$277,623.84
On subsidiary companies' preferred stocks in hands of public.....	54,720.48    332,344.32    1,115,240.41
Balance—September 30, 1931 .....	\$ 5,933,565.55



DIRECTORS

C. R. WALGREEN	R. G. SCHMITT
J. E. WARD	R. G. KNIGHT
A. C. THORSEN	JOY H. JOHNSON
WALTER SCHWANKE	HARRY GOLDSTINE

OFFICERS

C. R. WALGREEN.....	<i>President</i>
A. C. THORSEN.....	<i>Vice President</i>
HARRY GOLDSTINE.....	<i>Vice President</i>
F. C. SCHRAMM.....	<i>Vice President</i>
A. L. STARSHAK.....	<i>Treasurer</i>
R. G. SCHMITT.....	<i>Secretary</i>
E. E. RUECKERT.....	<i>Ass't. Sec'y.</i> <i>and Ass't. Treas.</i>

COMMON STOCK

CHICAGO

Transfer Agent	Registrar
First Union Trust & Savings Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Commercial National Bank & Trust Co.	Guaranty Trust Co.

PREFERRED STOCK

CHICAGO

Transfer Agent	Registrar
First Union Trust & Savings Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Guaranty Trust Co.	Commercial National Bank & Trust Co.

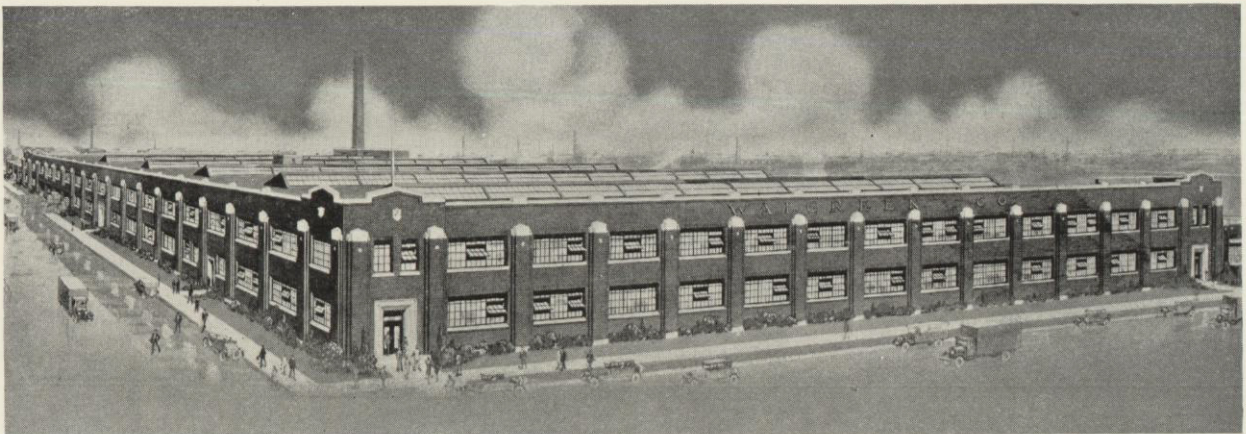


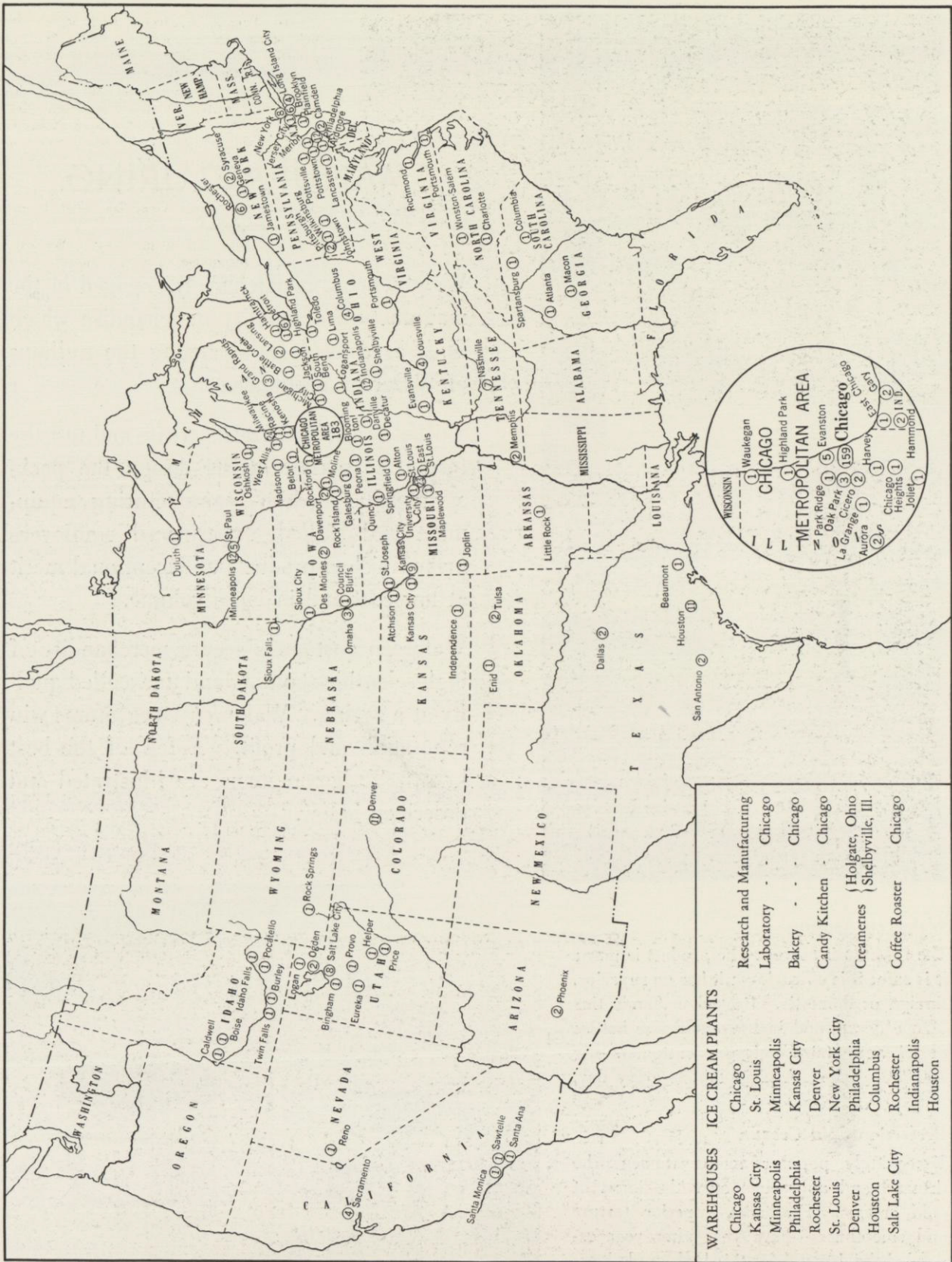
*At left:* Typical Walgreen Drug Store. 465 such stores are being operated. (Map on opposite page shows their distribution throughout the country.)

*Middle left:* Interior view, Walgreen Research and Manufacturing Laboratory. Here highly trained research and manufacturing chemists test not only the products which we ourselves make, but those of other manufacturers which we sell in our stores. The most up-to-date research and manufacturing equipment is used. Over 100 skilled helpers are employed.

*Middle right:* An aisle of the Walgreen Chicago warehouse, general supply headquarters. Other warehouses are located in various strategic cities (see list on opposite page).

*Below:* Exterior view of the Walgreen building which houses warehouse, laboratory, and candy kitchen. It occupies a full square block, and has 5 acres of fully used, busy floor space.





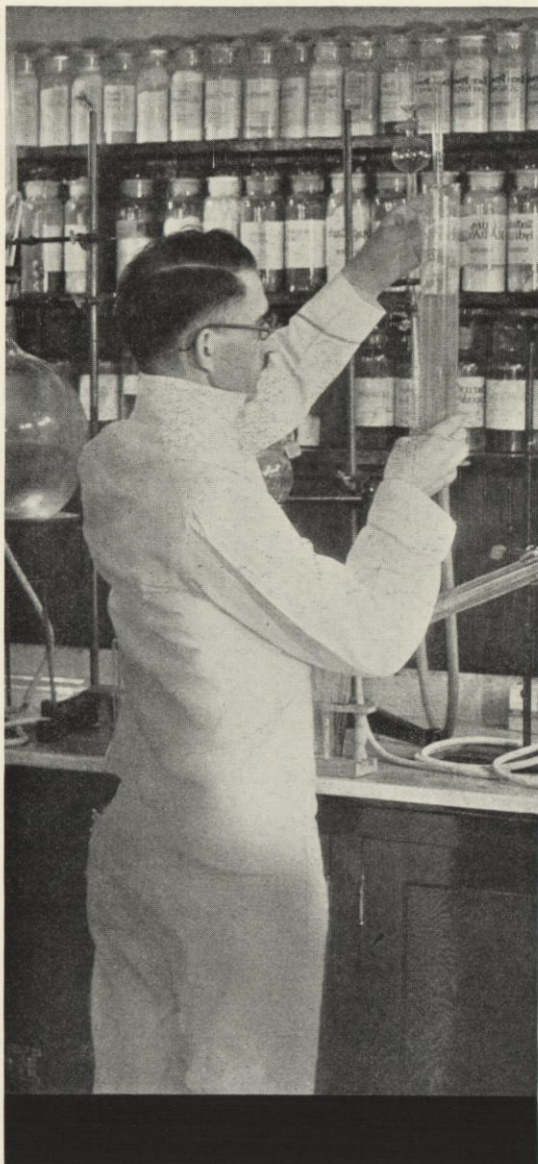
**WAREHOUSES**

- Chicago
- Kansas City
- Minneapolis
- Philadelphia
- Rochester
- St. Louis
- Denver
- Houston
- Salt Lake City

**ICE CREAM PLANTS**

- Chicago
- St. Louis
- Minneapolis
- Kansas City
- Denver
- New York City
- Philadelphia
- Columbus
- Rochester
- Indianapolis
- Houston

- Research and Manufacturing
- Laboratory - - - Chicago
- Bakery - - - Chicago
- Candy Kitchen - Chicago
- Creameries (Holgate, Ohio; Shelbyville, Ill.)
- Coffee Roaster - Chicago



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## MANUFACTURING

❖

Walgreen Co. is extensively engaged in the manufacture of quality merchandise which finds a ready demand among the millions of Walgreen customers.

Skilled research chemists create and test the formulas; master artists design the packages; ultra-modern manufacturing equipment and skilled, experienced employees make finished products of exceptional merit at low cost and in large volume.

Walgreen customers secure merchandise of high scientific standing and unexcelled quality at a saving. Walgreen Drug Stores win reputation and profit. A few of the best known Walgreen items are illustrated and described below.

### Walgreen Aspirin:

The formula is correct. The product is pure; it is safe; it is efficacious; it has no superior, foreign or domestic. Packed in handy tins of one dozen, and in household size bottles of 24 and 100. Walgreen customers use 150,000 of these Aspirin tablets every day.

### Perfection Cold Cream:

Exceedingly popular among women who demand and appreciate only the finest of cold creams. Freshness, superior texture and smoothness—have year after year expanded the demand for this high grade item.



### Orlis Antiseptic Mouth Wash:

One of the largest selling items manufactured by Walgreen Co. Possesses superior antiseptic and deodorant qualities. Pleasant tasting. Quality equal to the best products of its type; priced to give Walgreen customers a substantial saving.

### Russian Mineral Oil:

Finest quality imported Russian Mineral Oil. Extra heavy and completely tasteless. Bought by more than 300,000 Walgreen customers last year.

### Pyrolac Tooth Paste:

An excellent dentifrice with a pure Milk of Magnesia base. Cleans and whitens teeth—corrects mouth acidity. Several hundred thousands of large size tubes manufactured last year.

### Peau Doux Shaving Cream:

Best selling shaving cream in the Walgreen Drug Stores, undoubtedly because of its quick, abundant lather and unusual beard softening ability. Over half a million people are now using this good shaving cream.

### Orlis Tooth Paste:

An unusually popular economy dentifrice combining the taste and many of the antiseptic oils of Orlis Mouth Wash with real tooth polishing efficiency.

### Milk of Magnesia:

Pure high quality viscolized Milk of Magnesia. Superbly blended and pleasantly palatable to the taste. Walgreen customers use over 300,000 bottles a year.

### Olafsen Cod Liver Oil:

A carefully selected imported Norwegian Cod Liver Oil of highest quality. Refined and prepared by modern and efficient technical and scientific process. Maximum A and D vitamin content. Accepted as highest standard by leading physicians everywhere.





#### Fine Candies by Walgreen:

Under the watchful supervision of expert candy makers, the Walgreen Candy Department produces well over a million pounds of high grade assorted candies each year. Delicious confections of all types and in several price ranges—every sort made as well as good candy can be made.

The appetite of Walgreen customers for Walgreen candy, from tasty 5c bar goods to beautiful dollar and a half a pound gift boxes, has made "Candy by Walgreen" a nationally known hallmark of candy quality.



#### Walgreen Ice Cream:

Most famous of all Walgreen products. Pure, rich, fresh cream is brought in daily from Walgreen owned creameries in the heart of the best dairy districts. Select cane sugar, the best natural flavorings, fresh nuts and fruits are combined by the experienced skill of specialists.

Smoothness, richness, freshness, wonderful taste are adjectives used by the Walgreen customers who come back for thousands of gallons a day, day after day. "There is no substitute for good ice cream," for health and for pleasure.



Stockholders who patronize their own Walgreen stores, and introduce their friends to them; who use and recommend the many worthy products made by their own company, secure a direct and immediate benefit to their own pocketbooks, as well as an indirect and substantial benefit through their stockholdings.

Walgreen-made merchandise is always equal to the best competitive products, and priced to the advantage of both the customer and the company.

